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November 28, 2016

POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

Hon. Stacy L. Ruble, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Mr. Ruble:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the reports of Revenue, Pieces and Weight (RPW) by rate category and special service for Quarters 1-3 (revised) and Quarter 4 of Fiscal Year (FY) 2016, and a summary annual RPW report for FY 2016. Each of these reports consists of two parts:

1. Market Dominant Products Revenue, Pieces and Weight by Classes of Mail and Special Services for [Quarters 1, 2, 3, 4, annual Summary], Fiscal Year 2016, Compared with the Corresponding Period of Fiscal Year 2015, **Public Report**; and
2. Competitive Products Revenue, Pieces and Weight by Classes of Mail and Special Services for [Quarters 1, 2, 3, 4, annual Summary], Fiscal Year 2016, Compared with the Corresponding Period of Fiscal Year 2015, **Public Report**.

As in previous years, Quarters 1, 2, and 3 of FY 2016 have been revised. The corresponding FY 2015 period was also revised in the SPLY column in the reports for each quarter and the fiscal year to properly reflect year-over-year changes.

The changes include:

- Commission Order No. 3377 (June 17, 2016) regarding the enhancement of the international outbound statistical estimates from SIRVO was implemented for Quarters, 1, 2, and 3 revisions. See Proposal One in Docket No. RM2016-7.
- Commission Order No. 2732 (September 28, 2015) regarding the

replacement of the statistical sampling estimates of mailed entered through Click-N-Ship (CNS) with transactional census data from CNS was implemented for Quarter 1 revisions (implementation began with Quarter 2). See Proposal Six in Docket No. RM2015-15.

- Beginning August 10, 2016, Accounting instituted a reclassification from General Ledger Account (GLA) AIC 113 revenue (postage adjustment). This revenue, instead of posting to AIC 113, started flowing to several permit imprint AICs, including Standard Mail, Regular and Non-Profit, First-Class Mail, Priority Mail, Bound Printed Matter, Media and Library, Periodical's Outside County, and Simplified Mailings. This change in inputs from Accounting was implemented for Quarters 1 through 3 revisions and same period last year (SPLY).
- Accounting and PostalOne also corrected GLA AIC 541 (Value Added Refunds), providing visibility into mail class products for this contra revenue account. Quarters 1 through 3 RPW revisions included corrections to revenue for First-Class Mail Presort and Standard Mail for current and SPLY, based on this change in input data.
- As was noted in the Q3 RPW report and the August 9, 2016 filing of the 10-Q report, the accounting estimation of deferred revenue liability associated with Forever Stamps was updated. Accounting updated the forever stamp estimated breakage percentage, and, instead of using ODIS-RPW forever stamp usage directly in the calculation of associated deferred liability, 'model' predicted forever stamp usage was used. To adjust for this change in inputs from Accounting, RPW began reporting the difference between model predicted usage and ODIS-RPW estimated usage in Market Dominant Other Revenue.
- Mail in Transit (MIT) is a part of the Deferred Revenue-Prepaid Postage liability on our balance sheet associated with revenue received but not yet earned. This is because revenue has been recorded in our ledger, but the mail has not been delivered to the customer. The estimate of this liability is adjusted at the end of each quarter. The adjusting entry is posted in the last month of each quarter and is the change in that estimate. In FY2015, Accounting refined the methodology used to determine MIT. To better adjust for these input changes so as to not affect product reporting these revenue adjustments (both negative and positive) were reclassified to be included in Market Dominant Other Revenue for both the current year and SPLY.

I have enclosed disks with machine-readable versions of these reports, consisting of one Excel file for each report containing both parts of these public reports. These electronic files may be posted on the internet.

As with prior reports in the recent past, I have included with the public versions of the RPW reports for Quarters 1-3 (revised), Quarter 4, and the summary annual report for FY 2016, restricted versions that disaggregate the international and domestic data pertaining to competitive products (**Restricted Report**). These restricted versions follow the adopted format used in the public reports, and provide the Commission with additional, disaggregated data for the confidential categories. The restricted reports are being provided on computer disk and in hard copy, and should not be made public. They have been marked as restricted and confidential.

The Postal Service believes that the material contained in the Restricted Reports that is not included in the public versions consists of information that would not be subject to mandatory disclosure pursuant to the Freedom of Information Act and Title 39, United States Code. This letter incorporates by reference Attachment 2 of my letter dated September 29, 2009: "Application of the United States Postal Service for Non-Public Treatment of Materials" Pursuant to 39 C.F.R. § 3007.21. This document describes the information in the restricted versions that has been aggregated in the public versions, and presents the statutory basis for the Postal Service's request for confidentiality, as well as a description of the harm that would result from disclosure.

If you have any questions regarding the changes described above or the reports for Quarters 1-3 (revised), Quarter 4, or the summary report for FY 2016, do not hesitate to call.

Sincerely,

A handwritten signature in black ink, reading "Daniel J. Foucheaux, Jr." in a cursive script.

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and
Product Support

Enclosures

cc: Ms. Taylor